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UNCLAS SECTION 01 OF 02 ACCRA 001435

SIPDIS

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E.O. 12958: N/A

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SUBJECT: GHANA ECONOMIC HIGHLIGHTS -- JUNE/JULY 2005

1. (U) This report covers noteworthy economic events in Ghana for June-July 2005. The issues covered are:

-- Jeff Sachs Reiterates Call for Higher Aid flows
-- Visit of State's Senior Advisor on Biotech
-- Kufuor Hosts Ghana Investors Advisory Council

Jeff Sachs Reiterates Call for Higher Aid flows

2. (SBU) Dr. Jeffrey Sachs, well-known U.S. Economist and Special Adviser to the UN S/G, met with GoG officials and donors in separate meetings July 8 to discuss issues related to official development assistance (ODA). Sachs, who is Director of the UN's Millennium Project, repeated his frequent call for dramatically increasing ODA to help countries like Ghana achieve the Millennium Development Goals (MDGs). Sachs stated that a proper MDG strategy requires net ODA of \$75-100 per capita, or around \$1.5-2 billion for Ghana. Ghana's gross grants and loans top \$1 billion per year, but net of repayments are about \$700 million. Sachs stated that an additional billion dollars aid was "doable" given G8 discussions on doubling aid to Africa.

3. (SBU) Sachs argued that priority areas should be health, education, and physical infrastructure, and aid money should not go to consultants. His main theme was for donors to work on comprehensive malaria control, since Ghana is at the epicenter of the crisis in West Africa. He criticized the concept of social marketing for treated bednets, specifically pointing to USAID and DfID as the main proponents of this strategy. He urged donors to look at it from a public health perspective and told them not to worry about sustainability. He said the focus should be the major impact on development of reducing malaria by 80-90%. Sachs said he was working with the Japanese government to increase production of long-life treated bednets, and also made a push for indoor spraying of DDT. This has had a great effect in South Africa, Mozambique and Swaziland, but "we still need to explain it to environmental groups."

4. (SBU) Sachs called Ghana the best potential aid recipient in Africa, the most likely to achieve the MDGs, and the one with the best absorptive capacity for higher aid flows. He highlighted Ghana's strengths -- quality governance, sound democracy, peaceful, political and macroeconomic stability, local talent, and the best chance for rational allocation of resources through existing administrative structures (Ghana Poverty Reduction Strategy and Multi Donor Budget Support process) -- and commented that if there is any country the international community can help move up to middle income status, that country is Ghana.

Visit Wrap-up of State's Senior Advisor on Biotech

5. (SBU) State Department Senior Advisor for Agricultural Biotechnology, Madelyn Spirnak, met June 15-17 in Accra with GoG officials, Parliamentarians, and private sector to discuss the state of biotech in Ghana. There is some appreciation in Ghana for the possible benefits of biotech, especially among private research institutions and at the Environment Ministry, which has the lead on biotech and biosafety issues. However, other Ministries -- particularly Agriculture and Trade -- and Parliamentarians expressed reservations or displayed sheer ignorance on the issue.

6. (SBU) The GoG has drafted a biosafety law, which will create the regulatory structure and oversight body for biotech, and the Christine Churcher, the Minister of Environment and Science, has pledged to submit it for cabinet review soon. However, from comments made in Madelyn Spirnak's meetings, especially with Parliamentarians, it is not clear that there is sufficient support to obtain Parliamentary approval this year. (Note: although many Parliamentarians are poorly informed on biotech and influenced by negative press reports, a core group with agriculture experience is supportive and believes the products are seeping into Ghana anyway, so better to have a strong regulatory framework in place. End Note)

7. (SBU) The Agriculture and Trade Ministries were particularly cautious, with Deputy Ministers from both

emphasizing that there is insufficient awareness and has not been enough debate on potential benefits and risks. Both questioned the safety of transgenic crops, raised concerns about Ghana becoming dependent on foreign (read U.S.) seed companies, and worried about risking their European export markets. Although both acknowledged the potential benefits -- better quantity and quality, fewer pests, less soil erosion -- they argued that major education is needed before sending the biosafety law to Parliament, and then Ghana must ensure the regulatory system is strict to limit environmental, health, and food safety risks.

18. (SBU) Representatives of local research institutes were more supportive and optimistic, particularly CSIR (Council for Scientific and Industrial Research) and BNARI (Biotech and Nuclear Agricultural Research Institute). CSIR's renowned Chairman, Dr. Edward Ayensu, stressed the need for foreign assistance to help change the mindset of Ghanaians, and to help the GoG to "operationalize" biotech, since Ghana does not currently have either the institutional or human capacity to do so. Ayensu appreciated Spirnak's comments that biotech has to be adopted to a country's specific circumstances, so local research capacity and involvement is a critical element.

Kufuor Hosts Ghana Investors Advisory Council

19. (U) President Kufuor hosted the sixth annual Ghana Investors Advisory Council (GIAC) meeting, June 24-25. The GIAC is composed Ghanaian and foreign companies, government representatives, and foreign and domestic observers (e.g., IMF, World Bank, UN). The President invited representatives of diplomatic missions to attend the opening and closing ceremonies. Modeled on South African President Mbeki's similar advisory council, the GIAC has become the best opportunity each year for the private sector to highlight its concerns about Ghana's economy and the GoG's economic management. Private sector representatives are organized in five working groups and this year reported on progress on reform in these areas: 1) financial sector; 2) customs/civil service; 3) land; 4) agriculture/agri-business; and 5) labor.

10. (U) The GIAC structure has resulted in identifying key constraints to doing business, i.e., high costs, low competition, excessive regulation in the financial system, customs delays and corruption, and difficulty in obtaining clear land title, and the working groups have produced and/or vetted important legislation, particularly for the financial sector. However, while private sector reps are pleased with the opportunity to raise concerns and express grievances, this year they expressed some frustration with the slow pace of actual implemented reforms.

YATES